Social Action Digest

VOLUME III (1960)

FEATURE ARTICLES

	Issue
...pe John XXIII: **1959 Christmas Message**	January
..... : **The Freedom of the Press**	February

* * * *

...e American Bishops: **Personal Responsibility**	December
...easury Secretary Anderson: **Financial Policies for Sustained Growth**	January
...reau of the Budget: **Federal Budget Statistics**	June
...izens for Educational Freedom: **A Fair Share for Every Child**	March
...nnis Clark: **Catholics and Urban Affairs**	April
...ul Crane, S.J.: **Catholics and Atomic War**	March
...e Cuban Bishops: **Pastoral Letter to the Cuban People**	November
...rtin Duggan: **The Forgotten Children**	December
...ward Fisher: **A Man's Life in a Woman's World**	October
...seph Folliat: **Social Doctrine**	June
...nald Gardner: **Fifty Years of Credit Unions**	March
...s Taxation Committee: **The Gasoline You Buy Is Taxed Too High**	December
... J. Geany, O.S.A.: **Christian Family Movement 1960**	August
...ncent J. Giese: **Loneliness in the Apostolate**	December
...rchbishop Denis Hurley: **Integration in South Africa Inevitable**	January
...lange Hertz: **Women, Words and Wisdom**	March
...sgr. George Higgins: **First Things First May Save Economy**	April
..... : **Democracy in Labor and Business**	June
..... : **Moral Values in Economic Life**	August
...uglas Hyde: **Communists Are Spiritually Hungry**	November
...suit Missions: **Tokyo's "Christmas Village"**	August
...urence Kelly: **Priests and the Lay Apostolate**	October
...uisiana Legislature: **School Segregation Laws**	November
...illiam P. Lynch, S.J.: **The Image Industries**	March

Issue

Archbishop Owen McCann: **How to Save Christian Civilization** ..... January
Richard McKeon, S.J.: **A Clergyman Looks at Management** ..... April
_____ : **Prayer for Industry** ..... Novembe

John P. Nelson: **The Challenge of Loving My Neighbor** ..... Februar

Karl Rahner, S.J.: **Free Speech in the Church** ..... April
Archbishop Joseph Ritter: **Devotions Versus Social Action** ..... April

U. S. Bishops: **Personal Responsibility** ..... Decembe

Louis J. Twomey, S.J.: **Some Catholics Promote a Cause They Detest** ..... Februar
_____ : **Refugee Families** ..... October

James C. Vadakin: **Family Allowances** ..... June

SHORT NOTES

Do You Like Babies? ..... February
How to Raise Delinquent Children ..... February
Why I Swear ..... March
Am I Prejudiced? ..... April
St. Augustine and Freedom ..... April
Socialized Education? ..... April
The Last Judgment in Today's Terms ..... August
Income of Families ..... August
The Strange Case of "The Catholic Worker" ..... November
Proclamation of "Teachers Day" ..... November

SOCIAL ACTION DIGEST (published monthly by Loyola University, New Orleans 18, La.) present applications of sound principles to the concrete problems of modern life, especially in sociology and ecc nomics, by printing condensed speeches, books and magazine articles by well qualified experts. Thus SOCIAL ACTION DIGEST offers thought-provoking material for discussions of vital topics and hopes t strengthen the spirit of personal responsibility in our private enterprise society.

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Vol. III, No. 1 January 1960

Contents:

Pope John XXIII: ..... 1959 Christmas Message 1
Secretary of the Treasury Anderson: Financial Policies for Sustainable Growth 3
Archbishop Denis Hurley, O.M.I.: .. Integration in South Africa Inevitable .. 6
Archbishop Owen McCann: ..... How to Save Christian Civilization 6

From Pope John

CHRISTMAS MESSAGE

(Excerpt)

In the world of today, how many roads of peace have been proposed and imposed? The fact is that true peace cannot come save from God. It has only one name: Pax Christi (the Peace of Christ); it has one aspect, that impressed on it by Christ who, as if to anticipate the counterfeits of man, has emphasized: "Peace I leave you. My peace I give to you" (John xiv, 27).

PEACE OF THE HEART. Peace is before all else an interior thing, belonging to the spirit, and its fundamental condition is a loving and filial dependence on the will of God: "Thou hast made us for Thyself, o Lord, and our heart is restless till it rests in Thee." (St. Augustine's Confessions). All that weakens, that breaks, that destroys this conformity and union of wills, is opposed to peace.

SOCIAL PEACE. This is solidly based on the mutual and reciprocal respect for the personal dignity of man. The Son of God was made man, and His redeeming act concerns not only the collectivity, but also the individual man: "He has loved me, and delivered Himself for me;" thus spoke St. Paul to the Galatians. (Gal. ii,30). And if God has loved man to such a degree, that indicates that man is of interest to Him and the human person has an absolute right to be respected.

Such is the teaching of the Church, which for the solution of these social questions has always fixed her gaze on the human person, and has taught that things and institutions - goods, economy, the state - are primarily for man; not man for them. The disturbances which unsettle the internal peace of nations trace their origins chiefly to this source, that man has been treated almost exclusively as a machine, a piece of merchandise, a worthless cog in some great machine, a mere productive unit.

It is only when the dignity of the person comes to be taken as the standard of value for man and his activities that the means will exist to settle civil discord and the divisions, often profound, between the employers, for example, and the employed; and above all, to secure for the institution of the family those conditions of life, or work, or assistance capable of making it better directed to its function as a cell of society and the first community instituted by God Himself for the development of the human person.

No peace will have solid foundations unless there is nourished in the hearts the sentiment of brotherhood, which ought to exist among all who have a common origin and are called to the same destiny.

INTERNATIONAL PEACE. The basis of international peace is, above all, truth, for in international relations also the Christian saying is valid: "The truth will make you free" (John viii,32). It is necessary, then, to overcome certain erroneous ideas: the myth of force, of nationalism, or something else, which have drugged the integrated life of nations; and to impose peaceful living together on moral principles, according to the teaching of right reason and of Christian doctrine.

Along with this, and enlightened by truth, ought to proceed justice. This removes the causes of quarrels and wars, solves the disputes, fixes the tasks, defines the duties, gives the answer to the claims of each party.

Justice in its turn ought to be integrated and sustained by Christian charity. That is, love of the neighbor and toward one's own people ought not to be concentrated on one's self, in a form of exclusive egotism, suspicious of another's good, but ought to expand and reach out, with a spontaneous movement toward the community of interests, to embrace all peoples and to interweave common human relations.

It will be possible thus to speak of living together and not of mere coexistence, which, precisely because it is deprived of this inspiration of mutual dependence, raises barriers behind which nestle mutual suspicion, fear and terror.

NEITHER WAR NOR PEACE. Since the men of our time have not completely carried into effect the conditions of peace, the result has been that God's paths toward peace have no meeting point with those of man. Hence there is the abnormal situation of this post-war period which has created, as it were, two blocs, with all their uneasy conditions. There is not a state of war, but neither is there peace, the thing to which the nations ardently aspire.

It will be necessary again and again to remove from the path the obstacles placed by the malice of man, and the presence of these obstacles is noted in the propaganda of immorality, in social injustice, in forced unemployment, in the wretchedness contrasted with the privilege of whoever can indulge in dissipation, in the fearful lack of proportion between technical progress and moral progress of nations, in the unchecked armaments race, without there yet being a glimpse of a serious possibility of arriving at a solution of the problem of disarmament.

THE CHURCH'S PRAYER. In order that this common desire may be promptly fulfilled, the Church prays with confidence to Him Who rules the destinies of nations and can direct the hearts of governments to good. (I Timothy ii,1-2). Besides prayer, the Church makes available its maternal offices, points to the incomparable treasure of its doctrine, urges its children to lend their active cooperation for peace by recalling the famous invitation of St. Augustine: "It is more glorious to slay war with words, than men with steel, and it is true glory to secure peace by peaceful means" (St. Augustine's Epistles). The Church looks with favor on every initiative which can help to spare humanity new conflicts, new massacres, new destruction beyond calculation.

NO APPEASEMENT. It needs still to be noted that the pacification which the Church prays for is completely impossible if it is mistaken for a yielding or a relaxation of its firmness in the face of ideologies and systems of life which are in openly proclaimed and irreducible opposition to the Catholic teaching; nor does

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it denote indifference before the lamentation which comes to us even now from the unhappy lands where the rights of man are ignored, and falsehoods accepted as a system. Still less can one forget the sorrowful Calvary of the "Church of Silence," where the confessors of the faith, rivaling the early Christian martyrs, are exposed to sufferings and torments without end for the cause of Christ.

These established facts put one on guard against excessive optimism, but they render all the more earnest our prayers for a truly universal return to the respect for human and Christian liberty.

CALL TO ACTION. Along with a deepening of understanding must go action. It is completely impossible for Catholics to restrict themselves to the position of mere observers. They should feel clothed, as it were, with a mandate from on high. The effort, no doubt, is long and arduous. But the Christmas mystery grants to all the certainty that nothing of men's good will is lost in whatever they perform, perhaps without being entirely aware of it, for the coming of God's kingdom on earth, and in order that the city of man may be modeled after the pattern of the city of God.

The Pope's task is to prepare for God a perfect people (Luke 1, 17) which is exactly like the task of John the Baptist, who is his patron and from whom he takes his name. And it is not possible to imagine a higher and more precious perfection than that of Christian peace, which is the peace of hearts, peace in the social order, in life, in prosperity, in mutual respect and in the brotherhood of all nations. (End)

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One of the highlights of the American Economic Association's annual convention in Washington, D.C., was a major policy speech by the Secretary of the Treasury, Robert B. Anderson, on Dec. 29, 1959. The following excerpt gives approximately one-fourth of the speech:

FINANCIAL POLICIES FOR SUSTAINABLE GROWTH

Sustainable economic growth - not just any kind of growth - is the major goal of economic policy....primarily because its attainment implies success in achieving other highly important and long accepted goals. For example, we cannot achieve a high and sustained rate of growth if we are confronted with serious and long-lasting under-utilization of labor and other resources. Thus the maintenance of adequate employment opportunities for those able,willing, and seeking to work - which is highly important for its own sake - is also an integral part of the growth process.

The importance of avoiding inflation deserves special emphasis. Surely the rate of economic growth in the future - which depends so heavily on a high rate of saving and capital formation today - will be stunted if fear of inflation is allowed to impair the will to save in traditional, fixed dollar forms. Inflation, either in the form of a gradual, insidious upward creep in the price level, or as a rapid upthrust of costs and prices, is the enemy of growth.

The proper goal with respect to the price level is, first, to stop the erosion in the purchasing power of the dollar that has taken place over the past two decades and, second, to eliminate in the process any mistaken expectation that the value of the dollar will continue to decline.

Recent developments in the international economy also provide convincing evidence of the need for maintaining a strong dollar. Reconstruction of the war-torn industrial economies abroad has been largely achieved. The result has been a marked increase in the competitive capacities of industrial countries abroad. The financial counterpart of this change in the international economy has been a remarkable strengthening of the currencies of these industrial countries,and the disappearance of the foreign exchange difficulties that earlier plagued these countries. These

important economic and financial developments - coupled with a large outflow of dollars from this country in the form of private capital, government loans and grants, and military expenditures abroad - have been reflected in a series of deficits in this country's international balance of payments. The deficit for 1959 is likely to approach $4 billion. It would not be responsible to conclude that the United States can continue safely to sustain for a long period of years deficits of the magnitude of 1958 or 1959, or the somewhat reduced deficit in prospect for 1960.

The dollar is the major reserve currency of the world. This function can be served efficiently only if foreign holders of dollar claims, who now have a sizable financial stake in the way in which we manage our affairs, continue to have confidence in the dollar's basic worth and stability. Under these circumstances, a responsible government must adopt measures and encourage actions at home and abroad that, over time, will reduce the size of the deficit and have as their long-range objective a satisfactory equilibrium in our over-all payments position.

The Administration's attack on this problem will continue to be consistent with our vital goal of promoting multilateral world trade. It will, in short, be directed - not toward protectionism and restriction - but toward liberalization and expansion of world commerce.

BUDGET POLICY. Government financial actions have a significant impact on total demand. Recognizing this, a sizable group of economists advocates the active and coordinated use of the policies in an anticyclical manner. According to this view, a period of actual or threatening inflation,arising from pressures of demand, would call for a substantial surplus in the Federal budget. This would be achieved by an increase in the tax rates, a relative decline in expenditures, or some combination of the two. In this scheme of things, debt management in an inflationary environment would play a supporting but nevertheless important role. Treasury cash and refunding operations would be concentrated in securities of relatively long maturity. Consistent with this countercyclical approach, the program would be consciously reversed during a recession. Reductions in tax rates and increases in expenditures would contribute to a large deficit in the budget. Monetary policy would be directed toward ease in order to encourage expansion in credit and the money supply.

In my judgment, this approach to the problem of countering cyclical swings in order to promote sustainable growth has some serious shortcomings. From the standpoint of budget policy, a basic consideration is that decisions as to taxes and spending programs often reflect many factors other than broad economic considerations. Furthermore, experience in the postwar period indicates that it is much easier to achieve a deficit in a recession than a surplus in a boom. We must also recognize the burden that a large public debt can place on future generations.

Moreover, attempts to vary tax rates and spending to help smooth the business cycle may well have perverse effects. Changes in tax rates and spending may sometimes take so long to plan, legislate, and put into effect that many months may elapse from the time the need for action becomes clear until the change in budget position affects total spending. By the time the actions become effective, the economy may have changed radically, with the result that large deficits have their major impact during periods of rising business activity, and vice versa.

MONETARY POLICY. Monetary policy should continue to be administered flexibly in combatting inflation and recession. In my judgement, the lack of adequate surpluses in the prosperous years following the Second World War, which has resulted in a more than $30 billion increase in the public debt since the end of war financing, has meant that monetary policy has been called upon to bear more than its proper share of the burden in promoting sustainable economic growth. This unavoidable heavy reliance on monetary policy may have contributed to wider swings in interest rates and capital values than would have been necessary if budgetary surpluses had been adequate.

DEBT MANAGEMENT. To some economists, Treasury debt management affords a highly useful technique for promoting sustainable economic growth. It is not widely recognized that the marketable debt has increased by more than $20 billion during the past 18 months. This expansion in the marketable debt reflected the need to finance, in effect, a $12½ billion deficit in fiscal year 1959 and a $5½ billion seasonal deficit in the past 6 months, as well as more than $2 billion in maturing F and G savings bonds and other debt over the 18 months as a whole. Borrowing requirements of this magnitude, during a period of strong economic activity and sharply expanding private credit demands, make it exceedingly difficult to use debt management as an active anti-inflationary instrument. This is simply another way of saying that an inappropriate budget situation - such as a large deficit that must be financed during a period of vigorous economic recovery - can severely complicate debt management.

A second complicating factor arises from the current imbalance in the public debt structure and the tendency for the debt to grow shorter in maturity simply as a result of the passage of time. At the present time $80 billion of the $188 billion of marketable securities mature within one year. Even though this is the largest amount of under-one-year debt since the end of 1953, we must realize that the liquidity requirements of our economy - reflecting the demands of commercial banks, nonfinancial business corporations, state and local government funds, and foreign investors - can support a relatively large short-term debt.

The real problem revolves around the debt maturing in from 1-5 years, which has increased from $33 billion in 1953 to $61 billion at the present time. Even if within the next five years the total marketable debt and the under-one-year debt does not expand, $22 billion of securities will tumble into the 1-5 year range simply as a result of the passage of time. Debt lengthening must, therefore, continue to be a high priority goal of debt management. Otherwise, we shall ultimately arrive at a position in which the liquidity instruments of the economy embody a highly dangerous inflationary potential.

Of even greater importance is the possibility that the liquidity represented by the increase in short-term debt might unduly complicate our efforts to avoid an unsustainable upsurge during the succeeding business expansion. The existence of a relatively large volume of highly liquid short-term securities provides considerable scope for expansion in the velocity of money as economic activity improves. The greater the potential increase in velocity during a boom period - as reflected in part in the existing volume of short-term Treasury debt - the less the effectiveness of a given degree of restraint on the money supply in limiting inflationary pressures.

One method of avoiding so large a build-up in liquidity during a recession is to rely heavily on new government security issues of intermediate-term maturity. Such issues tend to be bought by commercial banks in their attempts to bolster earnings in the face of a slackening loan demand and falling interest rates. As banks purchase these obligations with reserves made available by an expansive monetary policy, bank credit and the money supply tend to grow, thereby helping to counteract recessionary pressures.

During periods of rapid business expansion, the opportunities to sell substantial amounts of long-term Treasury securities - as would be required under the countercyclical approach - are often quite limited. This may in part reflect the impact of expectations of higher interest rates and rising prices for goods and services. In addition, the competition for long-term money may be especially severe. Part of this competition has, in effect, been created by the government itself, as reflected in the large expansion in federally guaranteed or insured mortgages and other securities that bear some sort of government support.

These impediments to marketing large amounts of long-term issues are likely to exist in any period of strong business activity. As you know, however, there exists today a wholly artificial restriction on the ability of the Treasury to achieve

(continued on p. 8)

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INTEGRATION IN S. AFRICA INEVITABLE

—Archbishop Hurley

The way to preserve Christian civilisation

—Archbishop McCann

TWO Catholic archbishops said last week that integration was the Christian answer to South Africa's problems. Archbishop Denis Hurley, O.M.I., speaking in Pretoria, said that integration was inevitable. The only choice open to the White man was whether integration would come about in a Christian or an unChristian way.

Archbishop Owen McCann, speaking in Cape Town, said that the way to preserve Christian civilisation was to bring it to those who did not have it, and that meant integration in a common way of living.

To oppose integration was to sin by commission against justice and charity; to be indifferent was to sin by omission. The only possible Christian attitude was the active fostering of integration, he said.

The archbishop then went on to discuss the Church's position in the racial situation saying that the spiritual implications were so far-reaching that the Church dare not disregard the racial problem.

"The Church's duty is two-fold—a duty to truth and charity. The duty to truth is primarily the duty of the hierarchy. The bishops must see to it that the principles they have enunciated are translated into vivid lessons from the pulpit. It would not be surprising if the plenary session of the bishops' conference to be held next January did not produce some results along these lines.

"The duty of charity falls on every member of the Church. It is not enough to do no harm; we are positively commanded to do good".

"This should be the aim particularly of our lay associations. There can be no finer apostolate than the apostolate of charity trying to express Christian unity and communication in the teeth of tremendous opposition".

Duty of all

He said that it was the duty of every Catholic to seek Christ in the members of the other races, "it would be a great accomplishment if more associations of the lay apostolate would create machinery for holding regular discussions between members of different races. Who knows what results will follow when the bridges have been built?"

How to save Christian civilisation

'It will mean sacrifice and forbearance'

CAPE TOWN.—"The solution to South Africa's problems is at hand—the application of Christian principles and values . . . It will mean sacrifice, it will mean forbearance, it will mean forgiving, but that is the Christian way—the only way," Archbishop Owen McCann told an audience of over 1,500 in the City Hall last week.

He was speaking at the annual rally held in his honour organised by the Catholic Men's Society. The City Hall was packed for the occasion.

His Grace's address follows in part.

We hear it said that Christian civilisation must be saved in South Africa. This call is offered as the justification for certain policies such as apartheid. Such a policy is not the way to save civilisation but to undermine it. It can be saved

only by being practised and by being transmitted to others:

UNIVERSAL.

Christian civilisation is not a white civilisation, nor even western. It is the universal civilisation. It is the action of people who are truly Christian, who act in love and justice. As often as we act contrary to Christian values, we are undermining Christian civilisation.

We must therefore take care not to confuse Christian civilisation with national and sectional loyalties. The way to preserve Christian civilisation is to bring it to those who do not have it, and that means essentially integration in a common way of living, not merely on the economic plane but also on the social level.

CIVILISING AGENT

Because of this mission the Church is a civilising agent, not as an emissary of any political or economic order, but as a consequence of Christ's command to teach all men.

The Ten Commandments are but the voice of God sanctioning the development of the law written by Him in the heart of every man "Do unto others as you would be done by". This is the civilising work of the Church—this is Christian civilisation—the observance of justice and love; the teaching of men to that observance; and the aiding of them in carrying it out.

Too often men fail, too often they let down the Christian name. They claim to be promoters, protectors of Christian civilisation but in reality they seek only their own self interest or the glorification of their own particular national group without thought for others, for the common good. Nationalism, white or black, if it places the welfare of its followers before the general good, is not Christian.

We know that the Church is not attached to any particular group, any particular culture.

SEEKS TO UNITE

As the instrument of Christ, she brings peace—which is the fruit of justice. She brings charity—love in tangible form in the actions and thoughts of her members, her clergy, her religious, her faithful. She seeks to unite men and not divide them: to bring them together and not to separate them.

She tells us not to give way to the fallacy that in order to love my neighbour I must build a fence to separate him from me. The Church, and here we must follow her example, brings all within her sphere, and we must bring our neighbour right into our hearts even. And everyone is our neighbour — the suffering, the oppressed and the well-off as well.

There are prejudices extant here in our country. The entrenchment of those prejudices of colour or race through legislation is wrong. This will not reduce friction but rather give friction permanence. The way to overcome those false attitudes is to get to know the individual person. We cannot judge a person simply by the group to which he happens to belong, or from the estimate we have formed of that group from certain members of it.

HUMAN DIGNITY

As a community of different groups, the people of South Africa have to convince themselves of the dignity of each human person, the sanctity of family life, the overriding demand of the common good, the commandment of love God and our neighbour for God's sake. These are the Christian imperatives. These are the hallmarks of Christian civilisation.

They have far-reaching consequences in the fields of social justice and human relationships. They call for the just wage, the living and family wage. They call for adequate and decent housing for each family.

It is easy to become accustomed to a situation, to accept it and to take it for granted. Take for example, the question of wages. What is the ratio of unskilled wages in South Africa?—one fourth. In other countries—in Europe and America — it is three fourths.

The majority of our unskilled workers are Coloured people and Africans, but they are human persons, heads of families. They should be paid according to their human dignity.

MUST BE DONE

I know this will take time and adjustment, but it must be done. People may say that it is impossible because their labour is not worth more. I would answer that when a man is hired, it is not merely his labour which is contracted for. It is the whole man with all his responsibilities. If the just wage is paid, then productivity will increase and the housing problems too will be largely solved.

This responsibility rests not only on the industrialist, on every employer of labour, domestic or otherwise, on the civil authorities but it also rests on the whole community, on you and me.

A change of heart is needed in this field of human relationships. How can we stand silent when we view the havoc wrought by migrant labour system? The breakdown of the family, the promiscuity, the immorality which results from it.

SHAMEFUL

If the people of S.A. benefit by the labour of the African, and he is an integral part of the economy of South Africa—then he must be allowed to have his family with him. The damage that is being done to the family in South African life is the most shameful feature of our social structure.

The State exists for the common good, and it should see to it that this system of migrant labour, if it cannot be abolished at once, is changed and mitigated, so that it will disappear.

The State claims dominion over all the groups and it must consider the welfare of members of all groups, and ensure justice.

Races and national groups are but transitory. They changed in the past. They will change in the future. What must stand and remain is the law of God.

It is true that there are differences and barriers, and that those barriers cannot be let down at once, but it cannot be admitted that certain historical conditions must be perpetuated at the expense of justice and charity. That is to claim to rule God's Providence, and not to be ruled by His law.

GRAVE RESPONSIBILITY

We in South Africa have a grave responsibility before God and the rest of the world. He in His Providence has brought together here persons of differing origin, colour, states of development and culture. We have to live together in peace and harmony. We have to see that justice is done. We have to practice love. We have to bring into operation the Christian solution not only for ourselves but for the world.

The solution is at hand, the application of the Christian principles and values. It means making all South Africans, white, black, coloured, *truly Christian*. It means driving out prejudice, hatred and fear. It means placing the good of all before individual or group self interest.

It will mean sacrifice, it will mean forbearance, it will mean forgiving, but that is the Christian way. The only way.

(continued from p. 5) Financial Policies for Sustainable Growth

debt lengthening. I refer to the 4½% interest-rate ceiling on new issues of Treasury bonds, enacted in 1918, which under today's market conditions prevents the Treasury from issuing any new marketable securities of more than five years maturity for cash or in exchange for securities at maturity or in advance of maturity. Thus the ceiling completely prevents us from any significant amount of debt lengthening, either for the purpose of reducing the volume of liquidity instruments in the economy or contributing to a better balance in the debt structure by selling a reasonable amount of longer-term issues. In addition, the existence of the ceiling contributes to higher rather than lower interest rates on government securities, simply because the Treasury must aggressively compete with other borrowers in a limited sector of the market, rather than prudently spreading its issues over other maturity sectors. Sole reliance by the Treasury on short-term financing tends to drive short-term rates to higher levels than would otherwise prevail. This not only reacts quickly on the cost of carrying the public debt because of the large amount of securities that must be refunded each year, but also unduly raises the cost of short-term financing to all other borrowers.

In our opinion, the shift of even a moderate amount of debt from the 1-5 year area to longer term status, because of its marginal impact, would have significantly dampened the sharp rise in short-term rates that occurred in 1959. We told the Congress last summer that, if and when the ceiling is removed, we would have no intention of unduly competing for long-term funds by flooding the market with Treasury bonds. But we do believe that we could make significant progress in debt lengthening by engaging in another type of debt operation, referred to as "advance refunding." In the long-term sector, advance refunding would involve the exchange of new long-term Treasury securities for outstanding bonds which still have a number of years to run until final maturity. Investors participating in the operation would simply exchange existing bonds from their portfolios for newly issued longer obligations of approximately equal market value. Although the maturity of the debt, on average, would be extended, this would occur without the disruptive effects of new cash issues, or the market churning that accompanies refunding offerings of long-term bonds for maturing issues as the short-term investors who hold the maturing securities sell their "rights" to long-term investors. Similarly, holders of government obligations maturing in 2-3 years could be offered the opportunity of exchanging for new issues in the 5-10 year range.

Unfortunately, however, this promising technique cannot be used for refunding beyond 5 years until the 4½% ceiling is removed, or alternatively, until the cost of long-term borrowing declines below 4½%. Last summer the President, in referring to his request for removal of the interest rate ceiling, stated that no more important issue had come before that session of Congress. The need for removal is even more pressing today. In the forthcoming session of Congress, we shall urge action on the request with all the vigor that we can command.

The economics profession is today confronted with a challenge in restudying and arriving at sound and constructive conclusions with respect to national financial problems. The skill and objectivity with which you fulfill these vital obligations may well be the determining factor in the world-wide struggle between economic systems and ideologies. (End)

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The February issue of SOCIAL ACTION DIGEST will bring you an excerpt of the address of Pope John XXIII "The Freedom of the Press," and several other interesting articles about our modern socio-economic life.

Recommended reading: Women, Words and Wisdom, by Solange Hertz, published by the Newman Press. You will find an excerpt in SOCIAL ACTION DIGEST as soon as the Newman Press sends its permission. It's a delightful book!